

2013

Office of Budget & Research Business Plan



City of Sugar Land

OFFICE OF BUDGET & RESEARCH BUSINESS PLAN

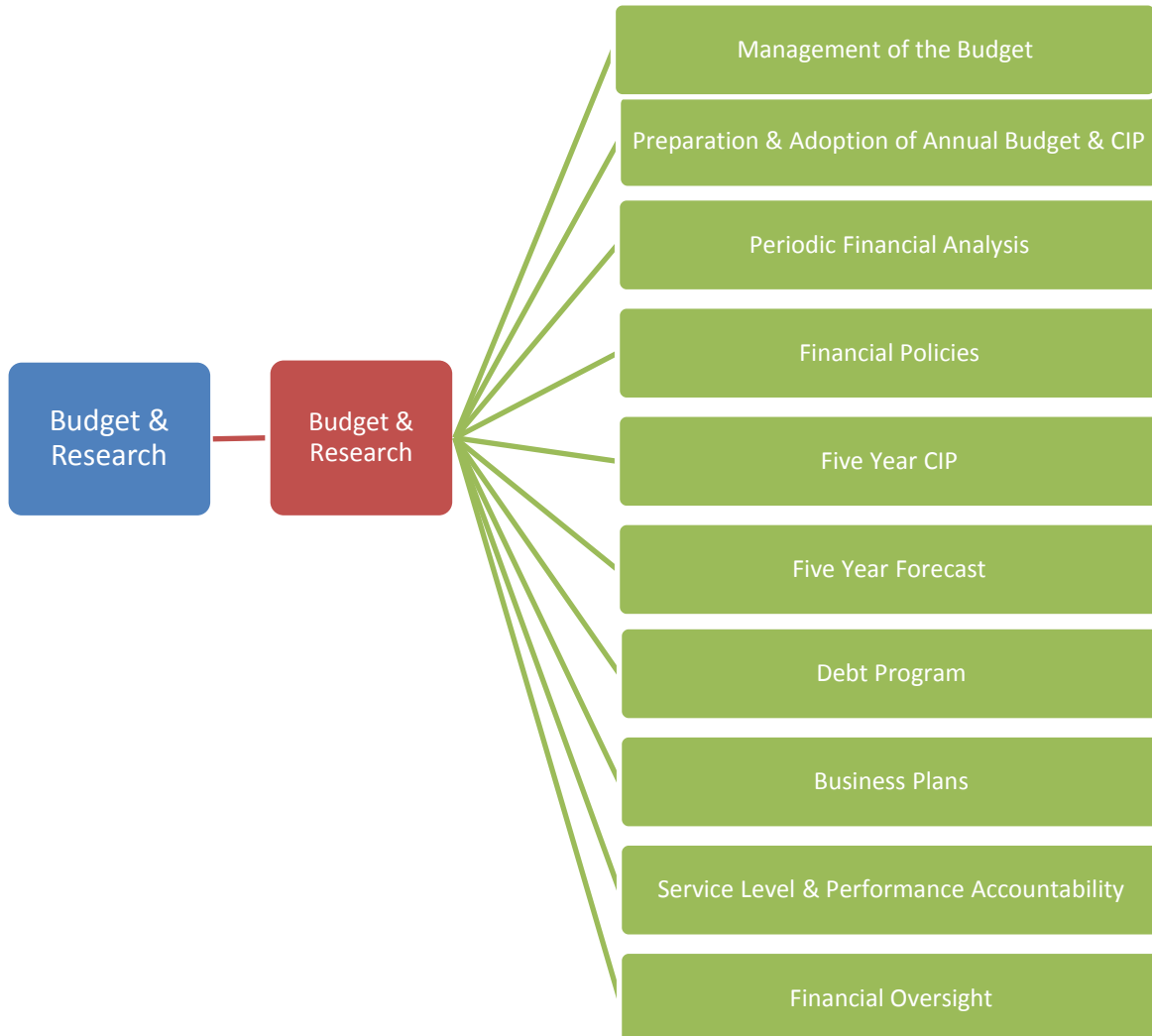
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OFFICE OF BUDGET & RESEARCH

2013 BUSINESS PLAN

FUNCTIONAL STRUCTURE



2013 PROGRAM OF SERVICES

BUDGET & RESEARCH

PROGRAM SUMMARY

The objective of the Office of Budget & Research is to ensure the stability of the City's financial health in both the short and long term. The services and activities that take place fall under the mid-term goal or priority of Responsible City Government.

The Office of Budget & Research is responsible for preparing the annual operating budget, the five-year Capital Improvement Plan, and the five-year financial forecast. The office is responsible for producing financial analysis for management and City Council so decision makers have a full understanding of the financial consequences of decisions. Issuance of long-term debt obligations is also carried out by Budget & Research. We manage the business plan process and provide assistance to departments in preparing their business plans as needed. We also provide support to City offices and departments in the management of the budget by verifying appropriations for contracts and bid documents, processing budget transfers and carryover requests, and assisting with end of year projections.

SERVICES AND SERVICE LEVELS

Service: Preparation & Adoption of Annual Budget & CIP

Preparation & Adoption of Budget and CIP: Per requirements of the City Charter and Financial Management Policy Statements, prepare and submit an annual operating budget for the City not later than the third Council meeting in July. Adoption of the budget occurs by one reading of an ordinance not later than September 25th.

Manage & Lead the Budget Process: Establish and submit a plan & calendar for budget preparation to the City Manager in January, ensuring the budget process is aligned with the business plan process, accomplishes the objectives identified by the City Manager and complies with charter requirements and FMPS guidelines for budget submission. Communicate the calendar to Directors as early as possible in the process. Engage with Directors to understand current issues and identify their needs during the year.

Review and critique budget requests for consistency between departments, recommend funding levels for department requests as an extension of the City Manager's office. Ensure departments and offices have an appropriate level of detail in their requests to meet city management expectations; provide a recommendation to city management if information provided is not consistent with requested changes.

Coordinate with other Directors managing processes involved in budget preparation: Engineering for the CIP, HR on staffing, IT on technology, Fleet on vehicles and Facilities on space needs.

Manage Year End Projections: Complete year-end revenue projections and review with the City Manager by the end of February. Provide a clear picture of where the City anticipates ending the fiscal year as compared to budget so that directions can be given to Directors in preparing their year-end projections. Preliminary expenditure projections are prepared in early March and completed by departments no later than May 15th. Budget & Research prepares salary & benefit projections for all departments and reviews O&M projections. Any savings identified can be utilized per the Financial Management Policy Statements to fund items in the following budget year.

Manage the Preparation of the Cost Allocation Plan: As part of the annual budget preparation, work with the selected financial consultant to complete and receive a draft of the Cost Allocation Plan (CAP), including a full cost plan and an OMB A-87 compliant plan (which is used only for the Airport), in February of each year. The Final CAP is completed and accepted by City Management in March. Coordinate departmental interviews, gather requested information, review the draft plan and ensure Directors have had an opportunity to review the draft plan prior to submission to city management. The CAP evaluates the services provided by internal service and other administrative departments to operating departments based on workload and services provided. The CAP allocates overhead costs to the various departments and offices and is the basis for the inter-fund transfers in the following year's budget.

Prepare Salary & Benefits Cost Estimates: Prepare the next year's salary & benefit cost estimates for all authorized positions by March 1 of each year, ensuring accuracy of incumbent data and account coding. Work with Human Resources to estimate benefit costs and minimize budgetary impact while providing appropriate health and dental coverage options to employees.

Prepare Revenue Assumptions & Estimates: Maintain a Revenue Manual that identifies the various revenue sources of the City, by what authority they are derived, and how they are estimated.

Develop revenue assumptions for all funds with assistance from operating departments on trend analysis and review with the City Manager by March 1st. Prepare revenue estimates based on accepted assumptions, recommend adjustments to user fees consistent with policy direction and build into revenue estimates. Evaluate property tax roll growth and options for recommending a tax rate in the proposed budget in compliance with truth in taxation laws. Distribute revenue assumptions to Directors in early April to guide preparation of their budget requests for the following year. Prepare changes to the rate and fee ordinance upon passage of the annual operating budget by City Council.

Maintain the Utility Rate Model: Gather information from Utility and Treasury staff by February of each year in order to prepare the Utility rate model and analyze the impact that the proposed CIP and budget requests will have on the Utility rate structure. Evaluate rate structure and make a recommendation on rate adjustments as part of the budget process. Monitor the impact to residential bills and how the City's utility bill compares with peer cities.

Service: Management of the Budget

Provide Budgetary Support to Offices & Departments: Provide support to city offices and departments in the management of the budget. Support includes approval of contracts and bid documents, budget transfers, carryovers, and end of year projections.

Capital Projects Management: Work with Engineering throughout the year to manage Capital Projects to identify available funding and close out projects as they are completed. Evaluate mid-year funding needs and determine if funds are available to recommend mid-year CIP projects from savings.

Review Requests for Budgetary Compliance: Agenda Requests from other departments that involve an expenditure or future obligation of City funds require clearance from Budget & Research. Review and provide clearance for all agenda requests that involve expenditure or obligation of City funds (current or future). City Council and 4A/4B Corporation agenda requests are checked for availability of budgeted funds and accuracy of funding sources. If a budget amendment is requested, verify the need and make a recommendation to the City Manager regarding the amendment or alternative funding sources.

Contracts for services utilizing capital projects funding require clearance by Budget & Research to verify funding availability and consistency with bond specifications.

Budget Adjustments, Amendments & Line Item Transfers: Facilitate the management of the budget for the current fiscal year by performing mid-year adjustments through budget transfers. Operational authority is delegated to departments through inter-departmental policy AD113, which delegates Operational Authority Limits for various personnel, purchasing and budgetary actions to positions under the City Manager. Transactions reviewed by Budget & Research are subject to the Operational Authority Limits including contracts, budget transfers and council agenda requests. Throughout the year, City offices and departments can transfer funds from one line item to another, with proper approvals. ***Budget Adjustments*** are requests to move funds between departments or programs, and must be approved by the City Manager. ***Budget Amendments*** are requests to change the total appropriation by fund and must be approved by the City Council. Salary savings are calculated based on vacant budgeted positions as reported by Human Resources and the savings are transferred out of office and departmental accounts on a monthly basis.

Carryovers/ Budget Amendment: Solicit requests for carryovers from offices and departments, review and recommend items that meet the carryover criteria to the City Manager by November 30th of each year. Prepare a budget ordinance amending the budget for City Council approval in December. Upon approval by City Council, the funds are placed in each department or office line items within 48 hours.

Service: Periodic Financial Analysis

Monthly Financial Reports: Prepare an analysis of each major operating fund in the City and explain key economic and fiscal developments and note significant deviations from the budget and previous year's

actuals. The monthly financial report is reviewed with the City Manager and delivered to City Council no later than the last day of the following month.

Each month, sales tax revenues are analyzed from the state Comptroller's report with a summary of significant trends. Income statements are received from Accounting by the 15th of the month, and a summary is prepared for major operating funds highlighting significant activity (Utility revenues, building permits, etc.).

A more detailed report is prepared on a quarterly basis, with income statements summarized and reported for all funds, economic indicators are analyzed (unemployment, CPI, foreclosures, etc), and detailed year to date sales tax analysis by sector. In addition, financial analysis is provided to Economic Development for inclusion in the Corporation Quarterly Reports.

Service: Financial Policies

Financial Management Policy Statements: The policy statements are reviewed every two years and adopted by City Council Resolution. FMPS provide the principles that are guidelines in the management of the City's financial functions. The statements are meant to provide guidance in the management of the City's finances and be specific to Sugar Land, and address items such as sales tax dependence, guidelines for debt issuance, financial forecasting, establish fund balance minimums for various funds, relationships between various funds, define guidelines for budgeting beyond the requirements of the City's Charter and State Law. The policy statements are to be updated as needed and reviewed with City Council, to ensure that the policies reflect the direction given by the City Council. In situations/discussions where the FMPS apply, they are referenced and any exceptions to the direction are to be noted in discussion with City Council.

Service: Five-Year Capital Improvement Program

Prepare a Fiscally Constrained Five Year CIP: Coordinate with the Engineering Department, to manage the CIP process and prepare a fiscally constrained five year CIP. Assess the financial impact of all recommended projects and identify available funding sources. Work with Engineering to adjust project timing within available resources and prepare the Five-Year CIP Document. Submit the proposed Five Year CIP with the proposed annual budget to City Council no later than 60 days prior to fiscal year end.

Manage & Lead CIP Process: Work with Engineering to prepare a CIP calendar for the City Manager in January that coordinates with the annual budget process and business plans, and provides information needed to conduct the mid-year retreat with City Council in March.

Service: Five Year Financial Forecast

Prepare a Five Year Forecast for Major Funds: Prepare a five year financial forecast for all major funds and include in the proposed budget document. Use the FMPS as guidelines in developing assumptions for revenue and expenditure estimates. Utilize information from the forecast to communicate the long

term impact of budgetary decisions to the City Council. The forecast provides a foundation from which to establish debt capacity, determine project funding, and assess fiscal health. The forecast is utilized to identify concerns before they become actual budgetary issues.

Forecast Assumptions: Develop market based assumptions to create a Five-Year Financial Forecast for Enterprise Funds (Utilities, Airport, Surface Water), the General Fund, the Debt Service Fund, Special Revenue funds (SLDC, SL4B, Tourism), and the Capital Improvement Program. Utilize data from sources including the central appraisal district, the state comptroller, and city departments (Utilities, Economic Development, Airport, and Treasury) to build revenue estimates. Expenditure growth includes salary & benefits growth, O&M impact of completed capital projects, annexation service needs, full-year impact of personnel additions, estimated property tax rebates, debt service requirements and sales tax incentive agreements.

Service: Debt Program

Manage the City's Debt Issuance Process: Based on the adopted Capital Improvement Program and cash flow needs for projects, coordinate the City's debt issuance with the assistance of the engineering department, outside legal counsel and financial advisors. Work with legal counsel and financial advisors to prepare Resolutions for the City's Intent to Reimburse from Bond Proceeds and Notice of Intent to Issue Certificates of Obligation within timelines required by state law. Issuance of debt is about a 12 week process before the debt hits the market, with an additional 30 days before the funds are in the City's account. The schedule can be compressed somewhat if needed but if the debt is Certificates of Obligation there are public notice requirements and timelines that must be adhered to.

GO Bond Election: General Obligation Bonds require approval of a bond proposition by voters, which is approximately an 18 month process. During that process, work with project team to develop a project list and total cost to be included on the referendum. Budget & Research also acts as a liaison with the Bond Council and City Management in the development of the referendum language.

MUD Bonds: Review proposed bond issues and prepare agenda requests for approval by City Council for any MUDs in the City or ETJ that intend to sell bonds to develop water utilities, drainage, etc. The sale of bonds must satisfy certain criteria in accordance with the Code of Ordinances. The agenda request timing is dependent on when the MUDs decide to issue bonds. Agenda request submission must meet deadlines set by the City Secretary's office.

Bond Ratings: Manage the City's finances to ensure that bond ratings are maintained or upgraded from their current levels. Provide information for rating agencies to evaluate the City's bond ratings. Approximately every 3 years the rating agencies come to Sugar Land for a site visit and in-person presentations. Coordinate ratings visits and presentations to ensure an optimal experience by analysts.

Service: Business Plans

Manage the Business Plan Process: Under the direction of the City Manager, manage the business plan process. Develop a calendar that coordinates business plan updating with the annual budget process. Assist departments as needed in defining services and service levels and identifying benchmarks that correlate to the business plans developed by the individual departments.

As key issues are identified in the business plans, serve as a resource to departments & offices to review proposals to address the key issues that were identified including any potential budgetary impact that could be requested through the following year's budget process.

The Business Plans will be living documents, with expectations that departments & offices will maintain them on a continual basis. Once per year the Plans will be "published" on SLIC or on the City's website, depending on the recipient of the services provided. This page will provide a common access point for others in the organization and the community to locate information regarding service level commitments. Any changes that occur throughout the year should be reflected in the business plan on an ongoing basis; anyone should be able to pick up the business plan at any time and have it reflect the current organizational structure, services, service levels and expected outcomes.

Service: Service Level Reporting

Service Level Reporting: Service Level Expectations are defined in Business Plans and are reported to the Office of Budget & Research by Departments and Offices quarterly. The focus of the report is reporting what activity occurred rather than evaluating how well it was done. A report of results will be prepared by the Office of Budget & Research for Executive Team review on an exception basis. When the Executive Team identifies an issue, they may direct Budget & Research to work with the department or office in determining why Service Level Expectations were not met.

Service: Financial Oversight

Activity: Independent Review of Department/Office Needs

Analysis of Departmental Needs: In preparation of any requests, whether related to Personnel, Operations, or Capital, the department will perform a review taking into account business plans, cost benefit analysis, and the goals of the city. The department will offer an objective recommendation to the City Manager and the department or office.

As departments identify issues or needs for future funding consideration, analysts work with the departments to ensure that various aspects of the issue are evaluated including input from other departments such as internal service departments, early discussion with Executive Team and City Manager. Ideally, requests are identified in the annual update of the department's business plan,

worked through during the year and meetings held with city management in time for an item to be evaluated for potential submission during the budget process.

The depth of the assessment will vary according to the scope of the request. Assessments will incorporate any and all resources available to the Budget and Research Department including department business plans and performance measurements, impact on the city's budget, benchmarks and comparisons, and cost benefit analysis. The goal of this review is to provide work that is accurate, reliable, valid, and professional quality from which decisions can be made.

Activity: Special Projects

Special Projects: Coordinates special projects as assigned by management. Analysts conduct research, provide data, make recommendations, and create solutions in accordance with special project goals.

Budget and Research receives a variety of special projects under the direction of the City Manager and Executive Team. Special Projects include assignments for:

- TIRZ creation
- Public-Private Partnerships
- Development Agreements
- Incentive Agreements
- Annexation of unincorporated areas
- Dissolution of in-City MUDs
- Entertainment District creation
- Strategic projects, etc.
- Projects with restricted expenditures (i.e. 4A/4B, Hot funds, etc.)
- Participation in Benchmarking Studies (CPM 101)

The Office will be a resource to evaluate and investigate the long-term impacts on the City's operating funds.

SERVICE LEVEL EXPECTATIONS

Program: Budget & Research	
Service (Activity)	Service Level Expectation
Preparation & Adoption of Annual Budget & CIP	Annual Budget Process managed within FMPS, charter requirements and defined calendar
Management of the Budget	Budget Adjustments & Amendments within Authority Limits Contracts and Purchases consistent with budgetary allocations
Periodic Financial Analysis	Financial Reports delivered to Council by end of following Month
Financial Policies	Financial Management Policy Statements Reviewed and Updated every 2 years
Five-Year Capital Improvement Program	Five Year CIP process managed within calendar & Charter requirements
Five Year Financial Forecast	Prepare Five Year Financial Forecast within FMPS guidelines and calendar
Debt Program	Conduct Debt Issuances as planned
Business Plans	Departmental and Office Business Plans updated annually within calendar for Budget Preparation
Service Level Reporting	Service Level Activity compiled from Depts & Offices and Exceptions reported to Executive Team
Financial Oversight	<i>Service Levels as Defined by Activities Below:</i>
<i>Independent Review of Department Needs</i>	Review of Grant and Funding Requests completed within 14 days
<i>Special Projects</i>	Support provided to special projects as required